SAN DIEGO HOUSING COMMISSION

LAND USE & HOUSING COMMITTEE INFORMATIONAL REPORT

DATE ISSUED: October 18, 2011 **REPORT NO:** LUH11-013

ATTENTION: Chair and Members of the Land Use & Housing Committee
For the Agenda of October 26, 2011

SUBJECT: Creating Affordable Housing – Finance Plan

COUNCIL DISTRICT: Citywide

NO ACTION IS REQUIRED ON THE PART OF THE LAND USE & HOUSING COMMITTEE.

The attached provides information received by the San Diego Housing Authority at the Special Meeting of June 27, 2011.

This is an informational item only. At this time, no action is required on behalf of the Land Use & Housing Committee.

Respectfully submitted,

Deborah Ruane
Senior Vice President
Real Estate Department

Attachments:

1. HAR11-009 - Real Estate Finance Plan as of March 2011
2. Construction Cost Comparison Analysis - Affordable vs Market-Rate Apartment Development

SAN DIEGO HOUSING COMMISSION

INFORMATIONAL REPORT

DATE ISSUED: June 6, 2011 **REPORT NO:** HAR11-009

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of June 28, 2011

SUBJECT: Real Estate Finance Plan Update as of March 2011

COUNCIL DISTRICT: Citywide

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING AUTHORITY

SUMMARY:

This report of the San Diego Housing Commission's Real Estate Acquisition Finance Plan ("Finance Plan") is presented to the Housing Authority of the City of San Diego ("Housing Authority") as a quarterly update.

BACKGROUND:

In September 2007, the San Diego Housing Commission ("Housing Commission") received HUD approval to transition out of the Public Housing Program and to own and operate those same 1,366 units of rental housing. The approval included the allocation of Housing Choice Vouchers to each residence. The 1,366 units located on 150 sites were transferred to Housing Commission ownership on November 19, 2007. The units now owned by the Housing Commission must continue to be rented to low income households at rent levels affordable at no more than 50 percent of Area Median Income ("AMI") for seniors or 80 percent AMI for families.

The Housing Commission was also obligated to leverage the equity in the 1,366 housing units to create a minimum of 350 additional affordable units to be rented at or below 80 percent AMI for a minimum of 55 years. On October 17, 2008, HUD further defined requirements for the production of additional affordable housing to identify acceptable scenarios under which equity proceeds may be utilized.

On March 24, 2009, the Housing Authority adopted the Real Estate Acquisitions Policy 300.103 which delegated authority to the Housing Commission to acquire units to achieve the goal of producing a minimum of 350 units as required by HUD. Under the new policy, the Housing Authority may ask to review any action of the Housing Commission within seven days. This

Policy also authorized the Housing Commission to obtain the financing necessary to carry out the acquisition and production of the new units.

In September 2009, the Housing Commission's Board of Commissioners approved the Finance Plan for the Acquisition of New Affordable Housing Units (HCR 09-085) and it was thereafter approved in October 2009 by the Housing Authority (HAR 09-030). The Housing Commission leveraged the equity in the 1,366 housing units through two financing sources: Fannie Mae financing, which closed in December 2009, and FHA funding, which closed in August 2010. The first real estate acquisition by the Housing Commission using these proceeds occurred in March 2010.

In September 2010, the Finance Plan update was presented to the Housing Authority (HAR10-032) with results from the first few months of activity. Information contained in this report is as of March 2011 and is an update of affordable housing acquisition activity to the Board.

DEBT LEVERAGING:

The Finance Plan was created to structure and monitor the usage of equity from a portion of the Housing Commission's real estate portfolio for the purpose of acquiring more affordable housing. Of the 150 properties in the existing portfolio, the Housing Commission opted not to leverage the smaller properties (those with 4 or fewer units) due to the costs associated with financing smaller properties when compared to the proceeds generated. There are 75 properties totaling 117 units in this pool and these properties were not leveraged and therefore remain debt-free.

A portion of the Housing Commission's larger properties (33 properties) were leveraged with three loans from Fannie Mae under the conventional multifamily loan program and generated $37,140,000 in loan proceeds. These three loans closed in December 2009. Another portion of the Housing Commission's portfolio (42 properties) was leveraged under FHA's 223(f) program and these three loans closed in August 2010. FHA proceeds totaled $58,243,400.

The chart below summarizes the debt leveraging and the net proceeds available for acquisitions after loan fees, reserves and repairs:

Sources of Funds			
	FHA	**Fannie Mae**	**Total**
Loan Amount	$58,243,400	$37,140,000	**$95,383,400**
Loan Fees	(2,206,883)	(510,487)	**(2,717,370)**
Repair/Replacement Reserves	(2,284,060)	(625,557)	**(2,909,617)**
Net Loan Proceeds	**$53,752,457**	**$36,003,956**	**$89,756,457**

It was originally estimated that the portfolio would yield approximately $100,000,000 between the FHA and Fannie Mae refinancing. The final amount raised was $95,383,400 due primarily to the following two factors which ultimately resulted in a more conservative position for the Housing Commission:

1) Interest Rates:

Instead of using a ten-year loan term (which is possible under the Fannie Mae program and which would have resulted in an interest rate closer to six percent), the Housing Commission elected to go with a more conservative 30-year term which carried a 7.32 percent interest rate. With the fixed 30 year interest rate, although the interest rate is higher, the risk associated with having to refinance in ten years is eliminated.

2) Vacancy Rates:

Due to higher vacancy rates on the leveraged properties at the time, the lenders used 8.5 percent vacancy rate on the Fannie Mae loans and a 10.9 percent on the FHA loans. While this generated less loan proceeds, it also produced less debt for the Housing Commission to service. [Note: Since loan origination, vacancy rates have decreased and as of April 2011, Fannie Mae properties had a vacancy rate of 3.00 percent and FHA properties had a vacancy rate of 1.45 percent.]

Debt Service:

The former public housing units that support the debt from the Finance Plan have performed above expectations compared to the approved September 2009 Finance Plan. The difference is primarily attributed to a lower vacancy rates versus projected. The monthly debt service amount is below the projected amount due to the lower amount borrowed.

BUILD AMERICA BONDS:

Some proceeds from each of the Fannie Mae and FHA loan pools were structured so that they were eligible for the Build American Bonds ("BABs") program which provided a taxable financing structure to benefit municipalities under the American Recovery and Reinvestment Act of 2009. The BABs interest rebate program, offered by the Federal government and which ended December 31, 2010, provided for a 35 percent interest rebate of the interest paid on debt used by a municipality to acquire affordable housing projects. Acquisitions with BABs-eligible funds could not contain a private entity in the ownership structure; therefore the Housing Commission could partner with another public agency only or acquire properties on its own. Proceeds from non-BABs qualified financing were used to acquire affordable housing properties in partnership with other developers.

Debt Service - Approved vs. Actual	
	FY 2011 Q3
Original Finance Plan (September 2009)	
NOI from former Public Housing units	$2,877,882
Total Debt Service (estimated)	(1,852,494)
Net Balance (Approved Plan)	**$1,025,388**
Actual FY 2011 – 3rd Q - March 2011	
NOI from former Public Housing units (Jan 2011 – March 2011)	$3,301,461
Total Debt Service	(1,587,482)
Net Balance (Actual)	**$1,713,979**

ACQUISITIONS:

With the equity leveraged from the former public housing, the Housing Commission has acquired (or committed) approximately 741 new units of affordable housing for a total of $79,387,000. These acquisitions include to-be-constructed properties as well as the acquisition and rehabilitation of existing properties.

Acquisitions			
Partnerships	**# of Units**	**Investment**	**Per Unit**
Riverwalk Apartments	49	$4,475,000	$91,327
Arbor Village Apartments	111	7,900,000	71,171
Vista Grande Apartments	48	3,800,000	79,167
Estrella de Mercado	91	7,000,000	76,923
Mission Apartments	84	6,000,000	71,429
Terramar Apartments	21	2,100,000	100,000
Sub-total	**404**	**$31,275,000**	**$77,413**
Publicly Owned			
Hotel Sandford	129	$6,095,000	$47,248
Mariner's Village Apartments	171	34,331,000	200,766
Courtyard Apartments	37	7,686,000	207,730
Sub-total	**337**	**$48,112,000**	**$142,766**
Total	**741**	**$79,387,000**	**$107,135**

The public/private partnership transactions all provide housing to extremely low, very low and low-income families and seniors. For these transactions, proceeds from the former-public housing portfolio were used to purchase the land at the close of escrow and included an option in year 15 to purchase the improvements at the greater of (i) the fair market value of the project or (ii) the sum of the limited partner project related tax liability, plus the principal and accrued interest on the Housing Commission loan, plus principal and accrued interest of the permanent loan (at the end of the tax credit compliance period). This option to purchase allowed for the units to count towards the Housing Commission's commitment to HUD of 350 units.

The publicly owned transactions are part of the Housing Commission's portfolio where no interest is shared with other private developers and the assets (land and structures) are completely owned by the Housing Commission. These properties are considered to be income-generating properties for the Housing Commission since the properties are rented to families earning no more than 80 percent of the AMI in accordance with the Finance Plan. [Note: Hotel Sandford is an exception to this category since the rents are affordable to extremely low-income seniors.]

Remaining Funds:

Approximately $8,300,000 of uncommitted funds remain for a future acquisition:

Cash Totals	
	Dollar Amount
Total Loan Proceeds	$95,383,400
Less: Fees and Set Aside	(5,626,943)
Proceeds Available for Investment	**$89,756,457**
Proceeds Used and/or Committed	(79,387,000)
Asset / Development Fee	(2,033,140)
Amount Available for Investment as of May 1, 2011	**$8,336,317**

With a projected cost of $200,000 per unit for a publicly owned asset, the Housing Commission anticipates adding an additional 40 units of affordable housing with the remaining proceeds.

The Housing Commission is also analyzing the option to further leverage the recently acquired publicly owned assets in accordance with the Finance Plan. If the decision is made to draw equity from the recently acquired assets, the Housing Commission will seek Housing Commission and Housing Authority approval.

INVESTMENT SUMMARY:

The original Finance Plan identified the following goals regarding the expenditure of the public housing refinance funding:

Goal 1. Satisfy HUD's mandate of adding 350 affordable housing units

The first condition of opting out of public housing included HUD's mandate to acquire at least 350 new units of affordable housing. As of March of 2011, the Housing Commission has closed on or committed to 741 units of affordable housing and has far exceeded the original goal.

Goal 2. Allocate proceeds to both partnership and publicly owned acquisitions

The original Finance Plan anticipated that proceeds would be used for future acquisitions per the following splits:

1. 45 percent would go toward properties acquired in partnership with the local affordable housing development community (public/private partnerships) and would serve seniors and families earning less than 50 and 60 percent AMI, respectively.

2. 55 percent would go toward the acquisition of properties the Housing Commission would own on its own or in partnership with other governmental entities (e.g., Centre City Development Corporation, the Redevelopment Agency of the City of San Diego, or Southeastern Economic Development Corporation) and would serve families earning less than 80 percent AMI

The chart below compares the percentage split of units that have been acquired to date vs. originally projected:

Capital Uses of Funds: Unit Count				
	(Projected) September 2009	**%**	**(Actual) March 2011**	**%**
Public Private Partnerships	455	45%	404	55%
Publicly Owned Assets	550	55%	337	45%
Total Number of Units	**1,005**	**100%**	**741**	**100%**

This 45/55 spilt of the loan proceeds is a key factor of the Finance Plan. While committed to partner with other developers to leverage public funds and provide very low income housing opportunities to San Diegans (proceeds from 45 percent of the funds), the Housing Commission must also create cash flow to provide funding opportunities for future developments and for the sustainability of the Housing Commission (proceeds from 55 percent of the funds). The Finance Plan was created to manage that balance and ensure that a variety of housing opportunities were provided but also to protect the Housing Commission's long-term well-being and fiscal strength.

Goal 3. Achieve target cost per unit

The following chart shows a comparison of total investment per unit from the original plan as compared to actual:

INVESTMENT PER UNIT			
	Total Units	**Total Investment**	**Total Investment (Per Unit)**
September (2009)	1005	$123,415,896	$122,802
Current Investment (Actual)	741	79,387,000	107,135
Future Investment (With Remaining Equity)	781	87,387,000	111,891

The first line of this chart shows the original plan's proposed total investment of $123 million, at an average acquisition cost of $122,802 per door, for a total of 1005 units. [Note: These figures include $31 million in additional funds acquired through refinancing recently acquired publicly owned assets. At this time, the Housing Commission has not refinanced any of the current assets]

The second line of the chart shows that the Housing Commission has spent approximately $79 million to date on 741 units with an average acquisition cost of $107,135.

The third line of the chart shows the total per unit investment assuming the future acquisition of an approximate 40 unit, $8 million dollars publically-owned asset. With this final acquisition, all of the funds generated from the public housing refinance would be exhausted for a total of 781 units with an average per unit cost of $111,891.

Goal 4. Acquire publicly owned assets that will produce net operating income for the Housing Commission

The original Finance Plan anticipated that net operating income ("NOI") would be generated from the publicly owned assets. The chart below compares the NOI projections from the original plan to actual:

Operating Performance - NOI Approved vs. Current Assumptions				
	FY 2011	FY 2012	FY 2013	FY 2014
Original Assumptions - NOI from New Units	**$462,275**	**$1,732,374**	**$2,060,652**	**$2,579,479**
Actual Closing Projections				
Hotel Sanford	$0	$0	$0	$0
Courtyard Apartments	250,064	405,768	415,908	426,306
Mariner's Village Apartments	1,062,326	1,700,226	1,811,628	1,856,922
New Project # 1			432,000	442,800
Total Publicly Owned	**$1,312,390**	**$2,105,994**	**$2,659,536**	**$2,726,08**

Publicly owned acquisitions occurred sooner than anticipated in the original Finance Plan. Therefore, for fiscal year 2011, NOI was larger than anticipated. Given the current acquisitions, actual NOI projection for FY 2012 is anticipated to exceed plan expectations. With the remaining $8.3 million from the Finance Plan, it is anticipated that a 40-unit publicly owned project will be acquired during FY 2012. With the acquisition of the publicly owned project, the NOI expectations for FY 2013 and FY 2014 are expected to exceed those in the Finance Plan.

CONCLUSION:

During the initial implementation of the Real Estate Finance Plan, an additional 741 affordable housing units have been provided within the City of San Diego. With approximately $8,300,000 of funds remaining, the Housing Commission will continue creating affordable housing units in the City, with the possibility of additional equity from the refinance of newly acquired assets (subject to Housing Commission and Housing Authority approval) for further creation of affordable housing within the next few years.

While some changes have occurred from the original Finance Plan approval, these changes have not significantly impacted the overall Finance Plan in a negative manner. Upon continued performance of the real estate operations of the public/private acquisitions, as well as the publicly owned assets, the Housing Commission will continue bringing forth acquisition opportunities for approval that further enhance the goals of the Housing Commission and provide housing opportunities to the residents of San Diego.

Respectfully submitted,

Emmanuel Arellano
Sr. Program Analyst
Real Estate Department

Deborah N. Ruane
for Vice President
Real Estate Department

Approved by,

Carrol M. Vaughan
Executive Vice President &
Chief Operating Office

KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Richard C. Gentry, President & Chief Executive Officer
San Diego Housing Commission

From: KEYSER MARSTON ASSOCIATES, INC.

Date: September 13, 2011

Subject: Construction Cost Comparison Analysis –
Affordable vs. Market-Rate Apartment Development

I. INTRODUCTION

This report presents Keyser Marston Associates, Inc.'s (KMA's) review of development costs associated with three affordable housing developments recently financed by the San Diego Housing Commission (Commission):

- Estrella del Mercado
- Florida Street Apartments
- Riverwalk Apartments

The Commission is seeking assistance in reviewing development costs for the above developments (Projects), in an effort to assess how features and requirements unique to affordable housing transactions impact a project's development cost budget.

All three Projects reflect new construction developments financed with Low Income Housing Tax Credits. The Projects are also currently under construction (Estrella del Mercado and Florida Street Apartments) or completed (Riverwalk Apartments).

For the purposes of this report, construction cost estimates reflect direct costs (off-site improvements, on-site improvements, parking, shell construction, solar costs, furniture, fixtures and equipment (FF&E), and contingency); indirect costs (relocation, architecture and engineering, permits and fees, legal and accounting, taxes and insurance, developer

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fee, marketing/lease-up, and contingency); and financing costs (loan fees, interest during construction, Tax Credit Allocation Committee (TCAC) costs, title, recording, and escrow, and operating/lease-up reserves). Acquisition costs for each Project have been excluded from the KMA analysis given the high variation of land costs throughout the City of San Diego (City).

KMA undertook the following work tasks in completing this assignment:

- Reviewed development cost data for each Project provided by Commission staff and KMA's own in-house files reflecting each Project's projected development budget at the time of approval.
- Reviewed our in-house database on construction costs on comparable affordable and market-rate projects.
- Reviewed market conditions for rental developments in San Diego County.
- Prepared development budgets for each Project under three scenarios: (a) the actual affordable housing development proposal; (b) the Project reconfigured as a market-rate development; and (c) the Project as a market rate development developed in a suburban, surface-parked format.

II. KEY FINDINGS

As summarized below, KMA's key findings are as follows:

The three Projects under study reflect two urban projects developed with structured parking (Estrella del Mercado and Florida Street Apartments) and one surface parked suburban project (Riverwalk Apartments).

Urban Projects

- Development costs for the Estrella del Mercado and Florida Street Apartments as affordable housing developments were estimated at $388,000 and $300,000 per unit, respectively.
- Assuming Estrella del Mercado is reconfigured as a market-rate development, total development costs for Estrella del Mercado are projected to decrease by 23% to a total

cost of $297,000 per unit. Florida Street Apartments reconfigured as a market-rate development is estimated to reduce costs by 13% to a total cost of $261,000 per unit.

- Developing the urban Projects in a suburban, surface-parked format is projected to further decrease total costs for Estrella del Mercado to $229,000 per unit and to $225,000 per unit for Florida Street Apartments.

Suburban Project

- Development costs for Riverwalk Apartments as an affordable housing project were estimated at $240,000 per unit.

- Assuming Riverwalk Apartments is developed by a private market-rate developer, total costs are projected to decrease to $159,000 per unit, a reduction of 34%.

Construction Cost Comparison:	**Estrella Del Mercado**	**Florida Street Apartments**	**Riverwalk Apartments**
Scenario A: Affordable Apartments / Urban (1):			
Total Costs Per Unit (2)	$388,000	$300,000	$240,000
Scenario B: Market-Rate Apartments / Urban (1):			
Total Costs Per Unit (2)	$297,000	$261,000	$159,000
% Change (A to B)	-23%	-13%	-34%
Scenario C: Market-Rate Apartments / Suburban:			
Total Costs Per Unit (2)	$229,000	$225,000	N/A
% Change (B to C)	-23%	-14%	N/A
% Change (A to C)	-41%	-25%	N/A

(1) Urban designation does not apply to Riverwalk Apartments as Riverwalk Apartments is a suburban/surface parked development.
(2) Excludes acquisition costs.

III. CONSTRUCTION COST COMPARISON ANALYSIS

As part of the KMA analysis, KMA reviewed development costs for three affordable housing developments recently approved by the San Diego Housing Commission. A summary of the KMA analysis is presented in Summary Tables 1 through 3. The detailed KMA analyses are presented in Appendices I through III.

KMA analyzed each Project assuming up to three different development scenarios as follows:

- Scenario A (Base Case): Affordable Housing Apartments – Project description and development budget as submitted by the Project's developer at the time of approval.

- Scenario B: Market-Rate Apartments - Assumes each Project is developed by a market-rate developer with a development budget estimated by KMA assuming the same construction and parking type as the base case affordable housing development.

- Scenario C: Market-Rate Apartments/Suburban – Assumes each Project is developed as a market-rate development, with a development budget estimated by KMA reflecting a suburban construction type with surface parking. This scenario applies to the analysis of Estrella del Mercado and Florida Street Apartments only, as Riverwalk Apartments is a suburban/surface parked development.

For each Project the KMA analysis included a detailed project description and development cost budget, described as follows:

Project Description

As shown in Appendices I through III, Table 1, the three base case affordable housing developments reviewed by KMA reflect different construction and parking types within the City, as summarized below.

Project	Units	Construction Type	Parking Type
Estrella del Mercado	92 Units	Urban	Above-Grade / Wrap
Florida Street Apartments	83 Units	Urban	Structured / Below-Grade
Riverwalk Apartments	50 Units	Suburban	Surface

KMA modified the project descriptions to reflect a private sector market-rate apartment development (Scenario B) as follows:

Modifications from Scenario A to Scenario B:

- Eliminated the community room required by the Low Income Housing Tax Credit program, as community rooms featuring a communal kitchen, meeting space, and computer work stations for tenants are not typically found in market-rate developments.
- Increased the average unit sizes to reflect larger unit sizes typically found in market-rate developments.
- Eliminated shopkeeper units (Estrella del Mercado only), as shopkeeper units are not a typical feature of market-rate developments in the surrounding community.
- Assumed fewer three bedroom units. In order to successfully compete for tax credits as a Large Family project, the Low Income Housing Tax Credit program requires 30% of all units in an affordable housing development to be three bedroom or larger. Such a high proportion of three bedroom units are not typically found in market-rate developments.
- Adjusted the parking ratio to reflect local market conditions.

KMA further modified the Scenario B project description to reflect a suburban/surface parked construction type as follows:

Modifications from Scenario B to Scenario C:

- Eliminated common areas.
- Reduced density to reflect a residential development served by surface / carport parking (approximately 25 units per acre).
- Reduced building height to a maximum of three (3) stories.

Development Costs

As presented in Appendices I through III, Table 2, for each Project KMA prepared development cost budgets reflective of Scenarios A through C, as described above.

KMA modified the development cost budget to reflect a private sector market-rate apartment development (Scenario B) as follows:

Modifications from Scenario A to Scenario B:

- Lowered shell costs to reflect a reduced level of durability. The Low Income Housing Tax Credit program requires an affordable rental housing development to remain operating and affordable for 55 years. Therefore, affordable housing developments typically require building materials used to reflect a high level of durability to ensure a Project's long life. Shell costs were also reduced to reflect the absence of architectural design elements often incorporated into affordable housing projects to ensure community acceptance.

- Lowered direct costs reflecting the elimination of prevailing wages sometimes required of publicly subsidized affordable housing.

- Eliminated solar features required to achieve a successful Low Income Housing Tax Credit application.

- Eliminated the cost of relocation (Florida Street Apartments only), required of publicly subsidized affordable housing.

- Limited upfront developer fee to an industry norm of 4.0% of direct costs.

- Eliminated fees associated with the Low Income Housing Tax Credit program.

- Eliminated operating reserve required by affordable housing lenders.

KMA further modified the Scenario B development cost budget to reflect a suburban/surface parked construction type as follows:

Modifications from Scenario B to Scenario C:

- Lowered direct costs to reflect the reduced level associated with suburban/surface parked construction.

- Lowered indirect and financing costs resulting from lower direct costs

IV. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.

2. The development concepts will not vary significantly from that identified in this analysis.

3. Estimates of development costs are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.

4. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.

5. The analysis, opinions, recommendations and conclusions of this document are the KMA informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

attachments

SUMMARY TABLE 1

ESTRELLA DEL MERCADO
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

	Estrella del Mercado					
	(A)	(B)		(C)		
	Affordable	Market-Rate		Market-Rate		
Construction Type	Urban	Urban		Suburban		
Parking Type	Above-Grade/Wrap	Above-Grade/Wrap		Surface		
I. Project Description						
A. Number of Units	92 Units	92 Units		54 Units		
B. Gross Building Area	86,109 GBA	85,197 GBA		47,600 GBA		
C. Number of Stories	4 Stories	4 Stories		3 Stories		
D. Prevailing Wages	Yes	No		No		
II. Development Costs excluding Acquisition Costs						
A. Direct Costs			% change (A to B)		% change (B to C)	% change (A to C)
Per Unit	$269,000	$199,000	-26%	$141,000	-29%	-48%
Per SF	$287	$215	-25%	$160	-26%	-44%
B. Indirect Costs						
Per Unit	$88,000	$75,000	-15%	$72,000	-4%	-18%
% of Directs	33%	38%		51%		
C. Financing Costs						
Per Unit	$32,000	$23,000	-28%	$16,000	-30%	-50%
% of Directs	12%	11%		11%		
D. Total Costs excl. Acquisition						
Per Unit	**$388,000**	**$297,000**	-23%	**$229,000**	-23%	-41%
Per SF	**$415**	**$321**	-23%	**$259**	-19%	-37%

III. Key Changes	**Affordable to Market-Rate:**	**Urban to Suburban:**
A. Project Description	- no community room - no shopkeeper units - fewer three bedroom units - larger average unit size - lowered parking ratio to 1.75 spaces/unit	- no common area - reduced number of levels to 3 stories - surface parking - increased parking ratio to 2.0 spaces/unit
B. Development Costs	- reduced level of durability (i.e. 30 year life vs. 55 year life) - no prevailing wages - no solar features - developer fee limited to 4.0% of directs - no tax credit fees - no operating reserve	- lower shell costs - lower indirect and financing costs

Prepared by: Keyser Marston Associates, Inc.
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SUMMARY TABLE 2

FLORIDA STREET
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

	Florida Street Apartments					
	(A) Affordable	(B) Market-Rate		(C) Market-Rate		
Construction Type	Urban	Urban		Suburban		
Parking Type	Structured/Below-Grade	Structured/Below-Grade		Surface		
I. Project Description						
A. Number of Units	83 Units	83 Units		25 Units		
B. Gross Building Area	103,183 GBA	90,361 GBA		22,350 GBA		
C. Number of Stories	4 Stories	4 Stories		3 Units		
D. Prevailing Wages	No	No		No		
II. Development Costs excluding Acquisition Costs						
A. Direct Costs			% change (A to B)		% change (B to C)	% change (A to C)
Per Unit	$207,000	$195,000	-6%	$168,000	-14%	-19%
Per SF	$166	$179	8%	$187	5%	13%
B. Indirect Costs						
Per Unit	$66,200	$44,000	-34%	$42,000	-5%	-37%
% of Directs	32%	22%		25%		
C. Financing Costs						
Per Unit	$27,000	$22,000	-19%	$15,000	-32%	-44%
% of Directs	13%	11%		9%		
D. Total Costs excl. Acquisition						
Per Unit	**$300,000**	**$261,000**	-13%	**$225,000**	-14%	-25%
Per SF	**$241**	**$240**	-1%	**$251**	5%	4%

III. Key Changes	**Affordable to Market-Rate:**	**Urban to Suburban:**
A. Project Description	- no community room - fewer three bedroom units - larger average unit size - increased parking ratio to 1.5 spaces/unit	- no common area - reduced density to 25 units/acre - reduced number of levels to 3 stories - surface parking - increased parking ratio to 2.0 spaces/unit
B. Development Costs	- reduced level of durability (i.e. 30 year life vs. 55 year life) - developer fee limited to 4.0% of directs - no tax credit fees - no operating reserve	- lower shell costs - lower indirect and financing costs

Prepared by: Keyser Marston Associates, Inc.
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SUMMARY TABLE 3

RIVERWALK APARTMENTS
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

	Riverwalk Apartments		
	(A)	(B)	
	Affordable	Market-Rate	
Construction Type	Suburban	Suburban	
Parking Type	Surface	Surface	
I. Project Description			
A. Number of Units	50 Units	50 Units	
B. Gross Building Area	44,625 GBA	39,500 GBA	
C. Number of Stories	2 - 3 Stories	2 - 3 Stories	
D. Prevailing Wages	Yes	No	
II. Development Costs excluding Acquisition Costs			
			% change (A to B)
A. Direct Costs			
Per Unit	$154,000	$105,000	-32%
Per SF	$173	$133	-23%
B. Indirect Costs			
Per Unit	$72,000	$43,000	-40%
% of Directs	46%	41%	
C. Financing Costs			
Per Unit	$15,000	$11,000	-27%
% of Directs	9%	10%	
D. Total Costs excl. Acquisition			
Per Unit	**$240,000**	**$159,000**	-34%
Per SF	**$269**	**$201**	-25%
III. Key Changes	**Affordable to Market-Rate:**		
A. Project Description	- no community room - fewer three bedroom units - increased parking ratio to 2.0 spaces/unit		
B. Development Costs	- reduced level of durability (i.e. 30 year life vs. 55 year life) - no solar features - no prevailing wages - developer fee limited to 4.0% of directs - no tax credit fees - no operating reserve		

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APPENDICES

Construction Cost Comparison

I. Appendix I - Estella del Mercado

- Table I-1 Project Description
- Table I-2 Estimated Development Costs

II. Appendix II - Florida Street Apartments

- Table II-1 Project Description
- Table II-2 Estimated Development Costs

III. Appendix III - Riverwalk

- Table III-1 Project Description
- Table III-2 Estimated Development Costs

APPENDIX I

Estrella del Mercado

San Diego Housing Commission

TABLE I-1

PROJECT DESCRIPTION
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

Construction Type / Parking Type	(A) / Affordable Apartments Urban Above-Grade / Wrap			(B) / Market-Rate Apartments Urban Above-Grade / Wrap			(C) / Market-Rate Apartments Suburban Surface		
I. Gross Building Area (GBA)									
Rentable Area	80,197 SF	93%		81,300 SF	95%		47,600 SF	100%	
Common Areas	3,897 SF	5%		3,897 SF	5%		0 SF	0%	
Community Room	2,015 SF	2%		0 SF	0%		0 SF	0%	
Total Gross Building Area	86,109 SF	100%		85,197 SF	100%		47,600 SF	100%	
II. Unit Mix	Number of Units		Average Unit Size	Number of Units		Average Unit Size	Number of Units		Average Unit Size
One Bedroom	15 Units	16%	549 SF	32 Units	35%	650 SF	19 Units	35%	650 SF
One Bedroom Shopkeeper	4 Units	4%	898 SF	0 Units	0%	0 SF	0 Units	0%	0 SF
Two Bedroom	40 Units	43%	876 SF	46 Units	50%	950 SF	27 Units	50%	950 SF
Three Bedroom	33 Units	36%	1,010 SF	14 Units	15%	1,200 SF	8 Units	15%	1,200 SF
Total / Average	92 Units	100%	872 SF	92 Units	100%	884 SF	54 Units	100%	881 SF
III. Number of Stories	4 Stories			4 Stories			3 Stories		
IV. Construction Type	Type V			Type V			Type V		
V. Affordability Mix				*information not applicable*			*information not applicable*		
Units @ 30% of AMI	10 Units	11%							
Units @ 40% of AMI	10 Units	11%							
Units @ 45% of AMI	10 Units	11%							
Units @ 50% of AMI	38 Units	41%							
Units @ 60% of AMI	23 Units	25%							
Manager	1 Unit	1%							
Total Units	92 Units	100%							
Average Affordability (excl. Manager unit)	49% of AMI								
VI. Parking	Above-Grade/Wrap			Above-Grade/Wrap			Surface/Carport		
Wrap Parking Spaces	191 Spaces			161 Spaces			108 Spaces		
Parking Ratio	2.1 Spaces/Unit			1.75 Spaces/Unit			2.0 Spaces/Unit		

Key Changes (Affordable to Market-Rate):
- *no community room*
- *no shopkeeper units*
- *fewer three bedroom units*
- *larger average unit size*
- *lower parking ratio to 1.75 spaces/unit*

Key Changes (Urban to Suburban)
- *no common area*
- *reduced number of levels to 3 stories*
- *surface parking*
- *increased parking ratio to 2.0 spaces/unit*

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TABLE I-2

ESTIMATED DEVELOPMENT COSTS
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

Construciton Type / Parking Type	(A) / Affordable Apartments (1) Urban Above-Grade / Wrap		(B) / Market-Rate Apartments Urban Above-Grade / Wrap		(B-A) Difference	(C) / Market-Rate Apartments Suburban Surface		(C-A) Difference	(C-B) Difference
	Total	Per Unit	Total	Per Unit	Per Unit	Total	Per Unit	Per Unit	Per Unit
I. Direct Costs									
Off-Site Improvements (2)	$1,732,000	$18,800	$1,645,000	$17,900	($900)	$1,645,000	$30,500	$11,700	$12,600
On-Site/Landscaping	$2,884,000	$31,300	$1,704,000	$18,500	($12,800)	$952,000	$17,600	($13,700)	($900)
Parking	$4,020,000	$43,700	$3,220,000	$35,000	($8,700)	$0	$0	($43,700)	($35,000)
Shell Construction - Residential	$12,982,000	$141,100	$10,650,000	$115,800	($25,300)	$4,522,000	$83,700	($57,400)	($32,100)
Shell Construction - Retail	$1,114,000	$12,100	$0	$0	($12,100)	$0	$0	($12,100)	$0
Solar Infrastructure	$480,000	$5,200	$0	$0	($5,200)	$0	$0	($5,200)	$0
FF&E/Amenities	$50,000	$500	$230,000	$2,500	$2,000	$135,000	$2,500	$2,000	$0
Contingency	$1,445,000	$15,700	$872,000	$9,500	($6,200)	$363,000	$6,700	($9,000)	($2,800)
Total Direct Costs	$24,707,000	$268,600	$18,321,000	$199,100	($69,500)	$7,617,000	$141,100	($127,500)	($58,000)
II. Indirect Costs									
Architecture & Engineering	$817,000	$8,900	$817,000	$8,900	$0	$571,000	$10,600	$1,700	$1,700
Planning & Entitlement	$1,173,000	$12,800	$1,173,000	$12,800	$0	$571,000	$10,600	($2,200)	($2,200)
Permits & Fees (2)	$2,956,000	$32,100	$2,956,000	$32,100	$0	$1,733,000	$32,100	$0	$0
Affordable Housing In-Lieu Fee	$0	$0	$426,000	$4,600	$4,600	$238,000	$4,400	$4,400	($200)
Legal & Accounting	$336,000	$3,700	$183,000	$2,000	($1,700)	$76,000	$1,400	($2,300)	($600)
Taxes & Insurance	$242,000	$2,600	$275,000	$3,000	$400	$114,000	$2,100	($500)	($900)
Developer Fee	$2,315,000	$25,200	$733,000	$8,000	($17,200)	$381,000	$7,100	($18,100)	($900)
Marketing/Lease-Up	$70,000	$800	$138,000	$1,500	$700	$81,000	$1,500	$700	$0
Contingency	$181,000	$2,000	$201,000	$2,200	$200	$113,000	$2,100	$100	($100)
Total Indirect Costs	$8,090,000	$87,900	$6,902,000	$75,000	($12,900)	$3,878,000	$71,800	($16,100)	($3,200)
III. Financing Costs									
Loan Fees	$448,000	$4,900	$410,000	$4,500	($400)	$185,000	$3,400	($1,500)	($1,100)
Interest During Construction/Lease-Up	$1,778,000	$19,300	$1,639,000	$17,800	($1,500)	$630,000	$11,700	($7,600)	($6,100)
Preconstruction and Bridge Financing	$321,000	$3,500	$0	$0	($3,500)	$0	$0	($3,500)	$0
Title/Recording/Escrow	$40,000	$400	$40,000	$400	$0	$40,000	$700	$300	$300
TCAC/Syndication Fees	$136,000	$1,500	$0	$0	($1,500)	$0	$0	($1,500)	$0
Operating Lease-Up/Reserves	$201,000	$2,200	$0	$0	($2,200)	$0	$0	($2,200)	$0
Total Financing Costs	$2,924,000	$31,800	$2,089,000	$22,700	($9,100)	$855,000	$15,800	($16,000)	($6,900)
IV. Total Costs Excluding Land	**$35,721,000**	**$388,300**	**$27,312,000**	**$296,900**	**($91,500)**	**$12,350,000**	**$228,700**	**($159,600)**	**($68,100)**

(1) Includes the payment of prevailing wages.
(2) Not verified by KMA or the City of San Diego.

Key Changes (Affordable to Market-Rate):
- *reduced level of durability*
- *no prevailing wages*
- *no solar features*
- *developer fee limited to 4.0% of directs*
- *no tax credit fees*
- *no operating reserve*

Key Changes (Urban to Suburban):
- *lower shell costs*
- *lower indirect and financing costs*

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APPENDIX II

Florida Street Apartments

San Diego Housing Commission

TABLE II-1

FLORIDA STREET APARTMENTS

PROJECT DESCRIPTION
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

Construction Type / Parking Type	(A) / Affordable Apartments Urban Structured / Below-Grade			(B) / Market-Rate Apartments Urban Structured / Below-Grade			(C) / Market-Rate Apartments Suburban Surface		
I. Site Area	43,350 SF	1.00 Acre		43,350 SF	1.00 Acre		43,350 SF	1.00 Acre	
II. Gross Building Area									
Rentable Area	77,525 SF	75%		73,150 SF	81%		22,350 SF	100%	
Circulation/Common Area	17,211 SF	17%		17,211 SF	19%		0 SF	0%	
Community Room	8,447 SF	8%		0 SF	0%		0 SF	0%	
Total Gross Building Area	103,183 SF	100%		90,361 SF	100%		22,350 SF	100%	
III. Number of Stories	4 Stories			4 Stories			3 Stories		
IV. Construction Type	Type V over Type I			Type V over Type I			Type V		
V. Unit Mix	Number of Units		Average Unit Size	Number of Units		Average Unit Size	Number of Units		Average Unit Size
One Bedroom	24 Units	29%		29 Units	35%	650 SF	8 Units	32%	650 SF
Two Bedroom	33 Units	40%		42 Units	51%	950 SF	13 Units	52%	950 SF
Three Bedroom	26 Units	31%		12 Units	14%	1,200 SF	4 Units	16%	1,200 SF
Total/Average	83 Units	100%	934 SF	83 Units	100%	881 SF	25 Units	100%	894 SF
VI. Density	83 Units/Acre			83 Units/Acre			25 Units/Acre		
VII. Affordability Mix				*information not applicable*			*information not applicable*		
Units @ 50% of AMI	8 Units	10%							
Units @ 60% of AMI	74 Units	89%							
Manager	1 Unit	1%							
Total/Average	83 Units	100%							
Average Affordability (excl. Manager unit)	59% of AMI								
VIII. Parking	Structured/Below-Grade			Structured/Below-Grade			Surface		
Parking Area	34,877 SF			39,625 SF					
Parking Spaces	110 Spaces			125 Spaces			50 Spaces		
Average SF/Space	317 SF/Space			317 SF/Space					
Parking Ratio	1.3 Spaces/Unit			1.5 Spaces/Unit			2.0 Spaces/Unit		

Key Changes (Affordable to Market-Rate):
- *no community room*
- *fewer three bedroom units*
- *larger average unit size*
- *increased parking ratio to 1.5 spaces/unit*

Key Changes (Urban to Suburban)
- *no common area*
- *reduced density to 25 units/acre*
- *reduced number of levels to 3 stories*
- *surface parking*
- *increased parking ratio to 2.0 spaces/unit*

Prepared by: Keyser Marston Associates, Inc.
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TABLE II-2

ESTIMATED DEVELOPMENT COSTS
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

Construction Type Parking Type	(A) / Affordable Apartments (1) Urban Structured/Below-Grade		(B) / Market-Rate Apartments Urban Structured/Below-Grade		(B-A) Difference	(C) / Market-Rate Apartments Suburban Surface		(C-A) Difference	(C-B) Difference
	Totals	Per Unit	Totals	Per Unit	Per Unit	Totals	Per Unit	Per Unit	Per Unit
I. Direct Costs									
Off-Site Improvements (2)	$684,000	$8,200	$684,000	$8,200	$0	$684,000	$27,400	$19,200	$19,200
Demolition	$141,000	$1,700	$141,000	$1,700	$0	$141,000	$5,600	$3,900	$3,900
On-Site/Landscaping	$1,591,000	$19,200	$867,000	$10,400	($8,800)	$867,000	$34,700	$15,500	$24,300
Parking	$3,411,000	$41,100	$3,125,000	$37,700	($3,400)	$0	$0	($41,100)	($37,700)
Shell Construction	$11,499,000	$138,500	$10,392,000	$125,200	($13,300)	$2,235,000	$89,400	($49,100)	($35,800)
FF&E/Amenities	$40,000	$500	$208,000	$2,500	$2,000	$63,000	$2,500	$2,000	$0
Contingency	$810,000	$9,800	$771,000	$9,300	($500)	$200,000	$8,000	($1,800)	($1,300)
(Less) Assumed Cost Savings	($1,000,000)	($12,000)	$0	$0	$12,000	$0	$0	$12,000	$0
Total Direct Costs	$17,176,000	$206,900	$16,188,000	$195,000	($11,900)	$4,190,000	$167,600	($39,300)	($27,400)
II. Indirect Costs									
Relocation	$428,000	$5,200	$0	$0	($5,200)	$0	$0	($5,200)	$0
Architecture & Engineering	$1,146,000	$13,800	$971,000	$11,700	($2,100)	$314,000	$12,600	($1,200)	$900
Permits & Fees (2)	$925,000	$11,100	$925,000	$11,100	$0	$278,000	$11,100	$0	$0
Affordable Housing In-Lieu Fee	$0	$0	$452,000	$5,400	$5,400	$112,000	$4,500	$4,500	($900)
Legal & Accounting	$131,000	$1,600	$162,000	$2,000	$400	$42,000	$1,700	$100	($300)
Taxes & Insurance	$106,000	$1,300	$243,000	$2,900	$1,600	$63,000	$2,500	$1,200	($400)
Developer Fee	$2,500,000	$30,100	$648,000	$7,800	($22,300)	$168,000	$6,700	($23,400)	($1,100)
Construction Management	$90,000	$1,100	$0	$0	($1,100)	$0	$0	($1,100)	$0
Marketing/Lease-Up	$40,000	$500	$125,000	$1,500	$1,000	$38,000	$1,500	$1,000	$0
Contingency	$125,000	$1,500	$106,000	$1,300	($200)	$30,000	$1,200	($300)	($100)
Total Indirect Costs	$5,491,000	$66,200	$3,632,000	$43,800	($22,400)	$1,045,000	$41,800	($24,400)	($2,000)
III. Financing Costs									
Loan Fees	$645,000	$7,800	$325,000	$3,900	($3,900)	$84,000	$3,400	($4,400)	($500)
Interest During Construction	$765,000	$9,200	$1,169,000	$14,100	$4,900	$202,000	$8,100	($1,100)	($6,000)
Interest During Lease-Up	$0	$0	$325,000	$3,900	$3,900	$84,000	$3,400	$3,400	($500)
Predevelopment Loan Interest	$133,000	$1,600	$0	$0	($1,600)	$0	$0	($1,600)	$0
Title/Recording/Escrow	$14,000	$200	$14,000	$200	$0	$14,000	$600	$400	$400
TCAC/Syndication Fees	$286,000	$3,400	$0	$0	($3,400)	$0	$0	($3,400)	$0
Operating Lease-Up/Reserves	$384,000	$4,600	$0	$0	($4,600)	$0	$0	($4,600)	$0
Total Financing Costs	$2,227,000	$26,800	$1,833,000	$22,100	($4,700)	$384,000	$15,400	($11,400)	($6,700)
IV. Total Costs Excluding Land	**$24,894,000**	**$299,900**	**$21,653,000**	**$260,900**	**($39,000)**	**$5,619,000**	**$224,800**	**($75,100)**	**($36,100)**

(1) Does not assume the payment of prevailing wages.
(2) Not verified by KMA or the City of San Diego.

Key Changes (Affordable to Market-Rate):
- *reduced level of durability*
- *developer fee limited to 4.0% of directs*
- *no tax credit fees*
- *no operating reserve*

Key Changes (Urban to Suburban):
- *lower shell costs*
- *lower indirect and financing costs*

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APPENDIX III

Riverwalk

San Diego Housing Commission

TABLE III-1

PROJECT DESCRIPTION
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

	(A) / Affordable Apartments Suburban Surface Parking			(B) / Market-Rate Apartments Suburban Surface Parking		
Construction Type **Parking Type**						
I. Site Area	111,514 SF	2.56 Acres		111,514 SF	2.56 Acres	
II. Gross Building Area						
Rentable Area	42,125 SF	94%		39,500 SF	100%	
Non-Rentable Area (1)	2,500 SF	6%		0 SF	0%	
Total Gross Building Area (GBA)	44,625 SF	100%		39,500 SF	100%	
III. Number of Stories	2-3 Stories			2-3 Stories		
IV. Construction Type	Type V			Type V		
V. Unit Mix	Number of Units		Unit Size	Number of Units		Unit Size
One Bedroom	19 Units	38%	650 SF	18 Units	36%	650 SF
Two Bedroom	10 Units	20%	825 SF	25 Units	50%	825 SF
Three Bedroom	21 Units	42%	1,025 SF	7 Units	14%	1,025 SF
Total/Average	50 Units	100%	843 SF	50 Units	100%	790 SF
VI. Affordability Mix				*information not applicable*		
30% of AMI	5 Units	10%				
40% of AMI	5 Units	10%				
50% of AMI	25 Units	50%				
60% of AMI	14 Units	28%				
Manager Unit	1 Unit	2%				
Total Units	50 Units	100%				
Average Affordability (excl. Manager Unit)	50% AMI					
VII. Density	19.5 Units/Acre			19.5 Units/Acre		
VIII. Parking	Surface			Surface		
Total Parking Spaces	80 Spaces			100 Spaces		
Parking Ratio	1.60 Spaces/Unit			2.0 Spaces/Unit		

(1) Reflects community room.

Key Changes (Affordable to Market-Rate):
- *no community room*
- *fewer three bedroom units*
- *increased parking ratio to 2.0 spaces/unit*

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TABLE III-2

ESTIMATED DEVELOPMENT COSTS
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

Construction Type / Parking Type	(A) / Affordable Apartments (1) Suburban Surface		(B) / Market-Rate Apartments Suburban Surface		(B-A) Difference
	Totals	Per Unit	Totals	Per Unit	Per Unit
I. Direct Costs					
Off-Site Improvements (2)	$0	$0	$0	$0	$0
On-Site/Landscaping	$1,271,000	$25,400	$1,115,000	$22,300	($3,100)
Parking	$0	$0	$0	$0	$0
Shell Construction	$5,931,000	$118,600	$3,753,000	$75,100	($43,500)
Solar	$100,000	$2,000	$0	$0	($2,000)
FF&E/Amenities	$50,000	$1,000	$125,000	$2,500	$1,500
Contingency	$363,000	$7,300	$250,000	$5,000	($2,300)
Total Direct Costs	$7,715,000	$154,300	$5,243,000	$104,900	($49,400)
II. Indirect Costs					
Architecture & Engineering	$724,000	$14,500	$315,000	$6,300	($8,200)
Permits & Fees (2)	$1,161,000	$23,200	$1,161,000	$23,200	$0
Affordable Housing In-Lieu Fee	$0	$0	$198,000	$4,000	$4,000
Legal & Accounting	$0	$0	$52,000	$1,000	$1,000
Taxes & Insurance	$125,000	$2,500	$79,000	$1,600	($900)
Developer Fee	$1,400,000	$28,000	$210,000	$4,200	($23,800)
Marketing/Lease-Up	$25,000	$500	$75,000	$1,500	$1,000
Contingency	$143,000	$2,900	$63,000	$1,300	($1,600)
Total Indirect Costs	$3,578,000	$71,600	$2,153,000	$43,100	($28,500)
III. Financing Costs					
Loan Fees	$171,000	$3,400	$119,000	$2,400	($1,000)
Interest During Construction	$372,000	$7,400	$286,000	$5,700	($1,700)
Interest During Lease-Up	$0	$0	$119,000	$2,400	$2,400
Title/Recording/Escrow	$23,000	$500	$23,000	$500	$0
TCAC/Syndication Fees	$41,000	$800	$0	$0	($800)
Operating Lease-Up/Reserves	$116,000	$2,300	$0	$0	($2,300)
Total Financing Costs	$723,000	$14,500	$547,000	$10,900	($3,600)
IV. Total Costs Excluding Land	**$12,016,000**	**$240,300**	**$7,943,000**	**$158,900**	**($81,500)**

(1) Includes the payment of prevailing wages.
(2) Not verified by KMA or the City of San Diego.

Key Changes (Affordable to Market-Rate):
- *reduced level of durability*
- *no prevailing wages*
- *no solar features*
- *developer fee limited to 4.0% of directs*
- *no tax credit fees*
- *no operating reserve*

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